

Guidance on Unemployment Compensation and Other Fringe Benefits

Q. May Title I, Part A funds be used to pay the cost of unemployment compensation?

- A.** Regardless of the source of funds for an employee's salary, benefit level and entitlement to unemployment compensation are determined by the State in which the person is employed. Although Title I, Part A funds may be used for the salaries of persons employed by Title I projects, the employer of the Title I project staff is the SEA or LEA in which the staff work, and not the federal government. Therefore, any determination as to whether a Title I employee is entitled to receive unemployment compensation is a matter of State law.

If State law permits, there are at least three acceptable ways in which an SEA or LEA may use a portion of its Title I funds to help defray unemployment compensation costs. If an LEA currently participates in an unemployment compensation insurance program which the insurance rate charged is principally a function of the district's past employment compensation experience and the rate is applied uniformly and consistently to all salaries paid by the district, the district may use Title I funds to pay premiums based on the insurance rate and the amount of the salaries it is paying with those funds. Under this approach, however, Title I funds may be used to pay the premiums only if the rate is applied uniformly and consistently to all salaries being paid by the district.

Similarly, if an LEA has established a reserve from which it makes payments on unemployment compensation claims, it may use Title I funds to make payments to that reserve. Payments of Title I funds for that purpose are allowable to the extent that the type of coverage, extent of coverage, and the rate of payment would have allowed had insurance been purchased to cover the risks.

If an LEA does not currently participate in an unemployment compensation insurance program or contribute to a reserve, it may establish a fringe benefit rate as the basis for the use of Title I funds to pay a portion of the amount of its unemployment compensation claims. That rate is the percentage that the unemployment compensation claims represent of the total amount of salaries being paid by the district. The LEA multiplies the total amount of the salaries of its Title I funded personnel by this rate to compute the amount of Title I funds that it may use to pay its unemployment compensation claims. For example, if the unemployment compensation claims are \$20,000 and the total amount the school district pay for salaries is \$2,000,000 (including \$150,000 for personnel paid from the Title I grant), then the "fringe benefit rate" used to compute payments for unemployment compensation claims is one percent of the LEA's salaries. Multiplying the total amount of the salaries of personnel paid from Title I funds by this "fringe benefit rate," the district could use a total of \$1,500 in Title I funds to pay unemployment compensation claims (one percent of \$150,000).